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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000725

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [ECON](#) [EAIR](#) [CH](#) [TW](#)
SUBJECT: DIRECTOR'S FAREWELL CALL ON MAINLAND AFFAIRS
COUNCIL CHAIRPERSON LAI SHIN-YUAN

REF: TAIPEI 716

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

11. (C) Summary: During the Director's farewell call on June 16, Mainland Affairs Council (MAC) Chairperson Lai Shin-yuan noted Taiwan's hope to expand meaningful participation in WHO activities and other functional international organizations following its success in becoming an observer at the recent WHA meeting. The fourth round of talks between the Straits Exchange Foundation (SEF) and the PRC Association for Relations Across the Taiwan Strait (ARATS) will take place in Taiwan, at a location other than Taipei, after the December 5 local elections, Lai said. Although Taiwan has not discussed the issue directly with China, it hopes that conclusion of a cross-strait Economic Cooperation Framework Agreement (ECFA) will lead Beijing to drop objections to Taiwan negotiating agreements with other trading partners. Lai attributed the progress in cross-strait relations over the past year to a careful building block approach that served to consolidate the foundation of the relationship. Lai boasted she had been quite successful in convincing even Green skeptics of the merits of the Ma administration's cross-strait policies, including on ECFA. End Summary.

12. (C) On June 16, the Director paid a farewell call on Mainland Affairs Council Chairperson Lai Shin-yuan, who asked about the views in Washington on developments in cross-strait relations. The Director underscored that the U.S. supports President Ma's efforts to improve relations with China, believing this is in everyone's interests. Although the political opposition in Taiwan is unhappy, they understand that the U.S. supports policies that reduce cross-strait tensions and are based on a democratic process.

International Participation

13. (C) Noting we are very pleased Taiwan was able to become an observer at the WHA meeting in May, the Director inquired about Taiwan's future goals with regard to international organizations. In addition to participating in the annual WHA, Lai said, Taiwan hopes to expand meaningful participation in meetings and other activities of the WHO and related agencies. She expressed hope that Beijing might be willing to show some flexibility in this area.

14. (C) The cross-Strait channel between the Straits Exchange Foundation (SEF) and the Association for Relations Across the Taiwan Strait (ARATS) deals only with economic and trade issues, not questions regarding international organizations, Lai noted. The Foreign Ministry will need to identify other useful organizations where Taiwan might be able to participate meaningfully, Lai suggested. Possibilities could include additional committees of the OECD, and also practical and functional fishery and ocean-related organizations. The Director asked whether organizations concerned with aviation or maritime issues might be relevant, given the SEF-ARATS agreements on cross-Strait flights and shipping, as well as Taiwan's importance to regional transportation patterns. Lai responded that the Ma administration has not actively pursued participation in the International Civil Aviation Organization (ICAO), though this had been a goal of the Chen administration, but she acknowledged the organization's importance. (Note: In separate recent meetings between representative of the U.S. Federal Aviation Administration and the Civil Aeronautics Administration, the Taiwan officials raised the issue of U.S. support for Taiwan's participation in ICAO. See reftel for further details. End Note.)

Next Round of Cross-Strait Talks

15. (C) Lai said the fourth round of SEF-ARATS talks will be held in Taiwan after the December 5 local elections. The location has not been determined but will not be in Taipei.

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Personally, Lai thought the best place would be Hualien on the east coast. Although the topics for the upcoming talks are known, negotiations on the issues have not yet begun, she said. Lai stressed that SEF Chairman P.K. Chiang has done good service on cross-Strait relations. It is too early to say whether Chiang will stay or leave after the next round of talks, but she hoped he would stay on. Lai attributed Chiang's recent effort to resign to his exhaustion at the time and his frustration over what she called a "smear campaign" launched against him by the DPP and "certain media." Noting that health concerns had led Chiang to call off a planned trip to observe Taiwan-funded earthquake recovery projects in Sichuan, Lai said that hospital tests had shown that Chiang is in good health.

ECFA and FTAs

16. (C) The Director asked whether Taiwan has had any direct indications from Beijing that it would not object to Taiwan negotiating trade agreements with other economies if a cross-Strait economic cooperation framework agreement (ECFA) can be concluded first. Lai said the Ma administration has yet to engage PRC officials on this issue, although she added that Taiwan has heard from some of its trading partners that they would be interested in discussing some type of trade cooperation agreement after completion of ECFA. Similar to the situation with the WHA, Beijing needs only to drop its opposition to Taiwan's engagement with trading partners on FTA-related issues. According to Lai, Taiwan can work through problems if it is practical, knows what it wants, and proceeds cautiously. In the medium and long term, "anything is possible," Lai maintained.

Progress in Cross-Strait Relations

17. (C) The Director asked Lai if she was surprised at how far cross-Strait relations have developed over the past year. Lai responded that she already felt prepared and confident when she accepted the MAC chair. Although at the time she did not know how quickly cross-Strait relations would progress, Lai said she felt that the Ma administration was

following the right course. Lai characterized the development of cross-Strait relations as a building block process that was consolidating the foundation of the relationship. One of these blocks was ECFA, she noted, adding that she had begun a program to speak at open seminars in local areas to explain the administration's cross-Strait policies. By listening to the concerns of the Green-majority audiences and discussing issues sincerely, Lai claimed she was able to convince 95-99 percent of the participants that the government was properly handling cross-Strait issues, including ECFA.

DPP Chair Tsai Ing-wen

18. (C) Lai doubted that DPP Chair Tsai Ing-wen would be willing to meet with Ma Ying-jeou. This is quite sad, Lai observed. Tsai was a competent and capable policymaker, but she and her party are in a difficult position, being dragged down by former President Chen's corruption case.

Comment

19. (C) President Ma's appointment of Lai Shin-yuan generated considerable controversy as she had been an outspoken legislator from the pan-Green Taiwan Solidarity Union and was close to former President Lee Teng-hui. Beijing, the Deep Blue wing of the KMT, and the pan-Green camp, with the exception of Lee Teng-hui, all registered dismay over the appointment, with some DPP legislators predicting Lai would not last six months. Nonetheless, after a year in office, Lai appears increasingly comfortable, confident, and fully in tune with the administration's policies. MAC plays an important role in managing the cross-Strait dialogue process, and sustained progress over the past year has doubtless

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boosted the morale of Lai and others involved in cross-Strait relations.
YOUNG